

Rio Algom Limited

J. GORDON LITTLEJOHN
VICE-PRESIDENT, GENERAL COUNSEL
TEL. (416) 365-6926
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CABLE RIOTINTOR

M/037/001

April 19, 1988

RECEIVED

APR 19 1988

cc: D. Nielson
B. Roberts
A. Bachman
L. Braxton
F. Filas
DIVISION OF
OIL, GAS & MINING
120 ADELAIDE STREET WEST
TORONTO, CANADA
M5H 1W5

Mr. Harry J. Pettengill, Chief
Licensing Branch 2
United States Nuclear Regulatory Commission
Uranium Recovery Field Office
Region IV
Box 25325
Denver, Colorado
80225

TELECOPIED
& MAILED

- and -

Mr. Kenneth E. May
355 West North Temple
3 Triad Centre
Suite 350
Salt Lake City, Utah
84180

Dear Sirs:

Pursuant to our telephone discussions last week, I am forwarding to you herewith a copy of the letter of credit which Rio Algom Mining Corp. has agreed upon with the Canadian Imperial Bank of Commerce ("CIBC") in New York. I understand that this letter of credit has been revised to meet with the requirements of the NRC.

In order to avoid an overlap in the surety to be provided by this letter of credit with that provided under the existing escrow fund arrangement with the Utah Department of Oil, Gas and Mining I have suggested the following procedure to you in our recent telephone conversation. I will send a copy of this correspondence to Mr. Kenneth E. May of the Utah Department of Oil, Gas and Mining (the "OGM"). I request that as soon as possible after you have received this letter and are satisfied with the form of letter of credit, that you so indicate to the OGM in Salt Lake. Mr. May has agreed to present NRC's satisfaction with the new surety arrangement to the OGM Board.

He will request the Board's approval to the release of Rio's escrow funds subject to and immediately upon notification by NRC that the letter of credit is confirmed by the bank as being in place. As soon as Mr. May informs Rio of the Board's approval, the letter of credit will be finalized and the bank will so notify the NRC. The final steps would be for NRC to give same day notification of the placement of the letter of credit to Mr. May, who would, upon receipt of such notice, immediately issue instructions sufficient to release the escrow fund to Rio Algom.

There are quite a number of steps in this procedure but it is simple and, providing that the OGM Board is willing to give the suggested conditional approval, should be easy for each party to follow.

If this procedure still meets with your approval would you kindly give the Utah Department of Oil, Gas and Mining the required notice and at the same time confirm to me that the procedure has been commenced. We at Rio Algom are prepared to finalize the letter of credit as soon as we receive the appropriate notice from the Department of Oil, Gas and Mining.

If you have any questions please contact me immediately.

Yours very truly,

A handwritten signature in cursive script, appearing to read "J. G. Little".

JGL/ma
Encls.

cc: Mr. D.B. Cochrane

ORIGINAL



Canadian Imperial
Bank of Commerce

20 EXCHANGE PLACE, NEW YORK, N.Y. 10005
(NEW YORK) MARCH 30, 1988

PLACE AND DATE OF ISSUE

IRREVOCABLE STANDBY LETTER OF CREDIT NO. [REDACTED]

EFFECTIVE DATE: APRIL 15, 1988

EXPIRY DATE: APRIL 15, 1989

BENEFICIARY:

UNITED STATES NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

APPLICANT:

RIO ALGOM INC.
ON BEHALF OF
RIO ALGOM MINING CORP. (LICENSEE)
LA SAL ROUTE
MOAB, UTAH 84532

DEAR SIR OR MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [REDACTED] IN YOUR FAVOR, AT THE REQUEST AND FOR THE ACCOUNT OF RIO ALGOM INC., ON BEHALF OF RIO ALGOM MINING CORP., LA SAL ROUTE, MOAB, UTAH 84532 UP TO THE AGGREGATE AMOUNT OF (THREE MILLION UNITED STATES DOLLARS) \$3,000,000.00, AVAILABLE UPON PRESENTATION OF:

- (1) YOUR SIGHT DRAFT, BEARING REFERENCE TO THIS LETTER OF CREDIT NO. 20-88/9016 AND
- (2) YOUR SIGNED STATEMENT READING AS FOLLOWS: "I CERTIFY THAT THE AMOUNT OF THE DRAFT IS PAYABLE PURSUANT TO REGULATIONS ISSUED UNDER AUTHORITY OF THE URANIUM MILL TAILINGS RADIATION CONTROL ACT OF 1978".

THIS LETTER OF CREDIT IS EFFECTIVE AS OF APRIL 15, 1988 AND SHALL EXPIRE ON APRIL 15, 1989, BUT SUCH EXPIRATION DATE SHALL AUTOMATICALLY BE EXTENDED FOR A PERIOD OF ONE YEAR ON APRIL 15, 1989 AND ON EACH SUCCESSIVE EXPIRATION DATE, UNLESS, AT LEAST 120 DAYS BEFORE THE CURRENT EXPIRATION DATE, WE NOTIFY BOTH YOU AND RIO ALGOM INC., ON BEHALF OF RIO ALGOM MINING CORP., BY CERTIFIED MAIL, AS SHOWN ON THE SIGNED RETURN RECEIPTS THAT WE HAVE DECIDED NOT TO RENEW THIS LETTER OF CREDIT BEYOND THE CURRENT EXPIRATION DATE. IF RIO ALGOM INC., ON BEHALF OF RIO ALGOM MINING CORP. FAILS TO PROVIDE AN ACCEPTABLE ALTERNATIVE SURETY WITHIN SIXTY (60) DAYS OF NOTIFICATION BY THE BANK OF ITS INTENTION NOT TO RENEW THIS LETTER OF CREDIT, THEN THE BENEFICIARY MAY AT ITS OPTION DRAW ANY REMAINING SUMS UNDER THIS LETTER OF CREDIT BY ITS DRAFT AT SIGHT ON US.

THE BANK SHALL GIVE IMMEDIATE NOTICE TO THE LICENSEE AND THE UNITED STATES NUCLEAR REGULATORY COMMISSION OF: (A) ANY NOTICE RECEIVED OR ACTION FILED ALLEGING THE INSOLVENCY OR BANKRUPTCY OF THE BANK; OR (B) ALLEGING ANY VIOLATIONS OR REGULATORY REQUIREMENTS WHICH COULD RESULT IN SUSPENSION OR REVOCATION OF THE BANK'S CHARTER OR LICENSE TO DO BUSINESS;

via AIRMAIL #	1	File	4/6
Page	2	of	3
Pages N.Y.A.			

ORIGINAL



Canadian Imperial
Bank of Commerce

20 EXCHANGE PLACE, NEW YORK, N.Y. 10005

(NEW YORK) MARCH 30, 1988

PLACE AND DATE OF ISSUE

ON (C) THE BANK, FOR ANY REASON, BECOMES UNABLE TO FULFILL ITS OBLIGATION UNDER THE LETTER OF CREDIT.

WHENEVER THIS LETTER OF CREDIT IS DRAWN ON UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT, WE SHALL DULY HONOR SUCH DRAFT UPON PRESENTATION TO US, AND WE SHALL SURRENDER THE FUNDS TO A DULY AUTHORIZED UNITED STATES NUCLEAR REGULATORY COMMISSION OFFICIAL IN ACCORDANCE WITH YOUR INSTRUCTIONS.

EACH DRAFT MUST BEAR UPON ITS FACE THE CLAUSE "DRAWN UNDER LETTER OF CREDIT NO. 2 DATED APRIL 15, 1988 AND THE TOTAL OF THIS DRAFT AND ALL OTHER DRAFTS PREVIOUSLY DRAWN UNDER THIS LETTER OF CREDIT DOES NOT EXCEED \$3,000,000.00".

THIS CREDIT IS SUBJECT TO THE (1983 REVISION) OF THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, PUBLISHED BY THE INTERNATIONAL CHAMBER OF COMMERCE.

COUNTERSIGNED _____

SIGNATURE: _____

TITLE: _____

DATE: _____

via RAPICOM #	1	Date	4/5
Page	3	of	3
Pages N.Y.A.			